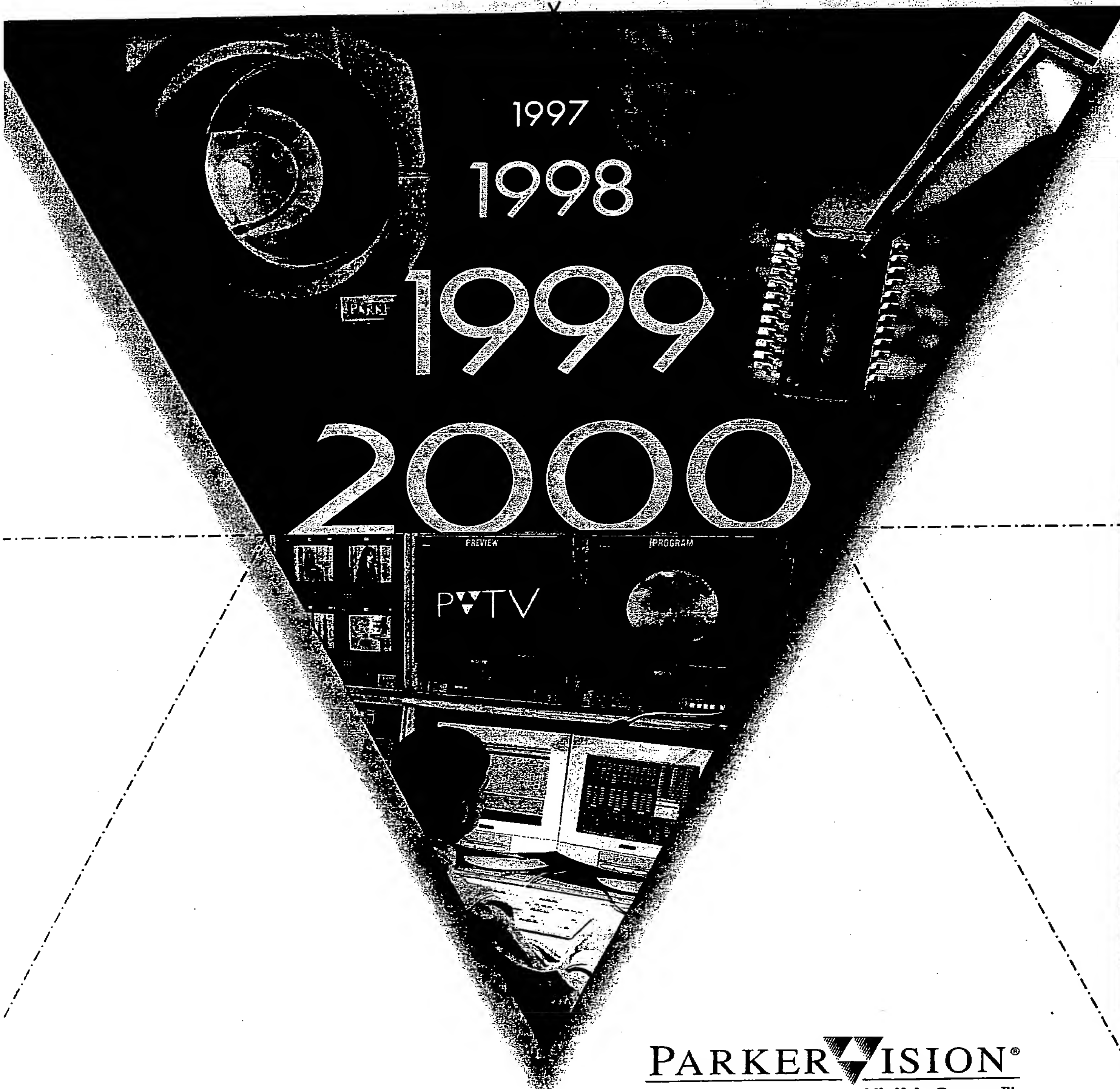
1997 ANNUAL REPORT



PARKERVISION®
Visibly Better.™

Not cameras...camera technology that changed videoconferencing and distance learning.

Not transceiver theory...RF technology with the power to change the face of wireless.

Not television...studio automation technology that changes the way live television is produced.

Letter to Shareholders

Dear Shareholders:

The past year is notable for the substantial progress made in the technologies in which ParkerVision has been investing. ParkerVision's technological advances have resulted in the creation of unique wireless and audio/visual system architectures which we believe will establish new industry standards. Currently known for ParkerVision's CameraMan® robotic video cameras, we believe our continued commitment to research and development will enable ParkerVision to soon emerge as a company known for innovative technology solutions. The Company enters 1998 with two technology solutions which we believe have significant growth opportunities – wireless radio frequency (RF) receiver technology and audio/video (A/V) production technology.

...we believe [illegible] commitment to research and [illegible] ParkerVision [illegible] known for innov[illegible]

This time last year, ParkerVision was in the process of developing what we believe to be a unique wireless RF technology. Today, the Company has successfully completed a wireless circuit architecture, creating a proprietary Universal Direct Conversion Receiver, and has incorporated this technology in an integrated circuit (IC), code named "Eddie". We believe this technology has the potential to establish a new standard in RF receivers. Wireless RF products and their associated circuitry are one of the fastest growing areas of electronics and we believe ParkerVision has created the circuit architecture that can achieve most every important design parameter that wireless product designers seek while increasing many performance criteria and lowering production cost. To test our own findings regarding the performance of this technology, the Company engaged The Boeing Company to conduct a series of third party test measurements – tests which verified our findings.

In 1997, ParkerVision also substantially completed the development of an A/V production technology, called Transition Macros™, which is at the heart of the CameraManSTUDIO™ system. CameraManSTUDIO is currently in beta testing at cable, broadcast and educational studios and we anticipate production to begin in the first half of 1998. This system will provide the video production industry a level of automation and functionality that does not exist today. Utilizing this proprietary transition macro technology, a single operator can orchestrate an entire live or live-to-tape A/V production and then replay it with the touch of a button. The initial feedback from customers indicates that the cost savings achieved by utilizing CameraManSTUDIO will pay for the system in a relatively short period of time.

Looking forward to 1998, the Company's goal is to capitalize on these significant technological accomplishments. The strategy for commercialization of the wireless technology is to pursue license agreements with three distinct types of customers - (1) companies that produce wireless RF products and that can improve product cost and performance by the incorporation of ParkerVision's technology, (2) semiconductor companies that supply wireless product companies with volumes of integrated circuits and (3) product design companies that will design RF systems incorporating ParkerVision's technology. The Company also plans to formally launch the CameraManSTUDIO system and anticipates accepting orders and commencing shipment in the first half of 1998.

ParkerVision is committed to the continued development and commercialization of technological solutions and we look forward to your continued support.

Sincerely,

Jeffrey Parker
President and Chief Executive Officer

"Of the two, imagination is more important than knowledge."

– Albert Einstein

When Einstein said that imagination is more important than knowledge, he illustrated a simple truth. Without the application of imagination, knowledge does not necessarily bring progress or create value. But with informed imagination, such possibilities emerge. This is the principle by which ParkerVision develops technologies that help change the way things are done.

ParkerVision's CameraMan systems have become an industry standard in distance learning environments where instructors are no longer required to stand in a stationary location and students in remote locations are no longer just faces in the crowd. ParkerVision's robotic camera technology has established a "just like being there" level of communication in distance learning and videoconferencing applications that didn't previously exist.

ParkerVision. Technologies That Change The Standard.

Paired with the Shot Director™ product, CameraMan systems have also created new opportunities for video coverage in situations where there is neither room nor security clearance for news crews. The IBM chess challenge and NASA's Jet Propulsion Laboratory are two examples of places and events where ParkerVision's different way of doing things exclusively provided the video images.

Building on a foundation in camera technology, ParkerVision made another imaginative leap with the development of the CameraManSTUDIO system, an automated TV production studio which integrates key studio functions and provides the technology to allow these functions to operate automatically and in parallel. Dubbed "PVTV" the system will make its formal industry debut at the National Association of Broadcasters (NAB) annual convention in April. The system has been privately demonstrated to the studio production industry with strong positive reviews. Based upon

Key Events Ir

1995

- Introduce CameraMan System II.
- Form R&D team devoted to wireless technology.

1996

- Introduce concept of an automated audio/video production system.
- File first patent on new wireless technology.
- Expand the CameraMan System II product line.

reactions from those who have previewed the system, ParkerVision believes that PVTV has the potential to change the way live and live-to-tape television is produced.

The search for a better way of doing things has led to other breakthroughs as well. As part of the company's ongoing product development, ParkerVision's engineering staff struggled with the mutually exclusive goals of cost versus performance imposed by traditional RF technology. ParkerVision set out to find a better way.

ParkerVision's search led to the invention of its chip-based universal direct conversion receiver, which management believes to be a long-awaited building block for creating the next generation of RF electronics. ParkerVision believes its wireless technology can simplify RF design, improve performance and reduce production costs, essentially rendering many of the techniques and associated circuitry commonly employed in today's RF receivers obsolete.

Simply stated, the company believes this technology has the power to change the face of wireless communication.

In 1998, ParkerVision began working with The Boeing Company for independent verification of this technology. Press announcements about ParkerVision's wireless technology have prompted many corporations to contact the company to explore opportunities. Initial tests indicate that this technology has the potential to benefit a wide range of products including cordless and cellular phones, garage door openers, security systems, pagers, electronic toys, personal computers, audio monitors and many other wireless communication devices.

The constant search for solutions, paired with the application of imagination, is leading ParkerVision's evolution from a maker of robotic cameras to a technology company. The company has identified unmet needs and created new standards through the development of innovative technologies.

Fortuitous timing has made ParkerVision first to the market with these breakthrough technologies, and the company believes market demand will provide the pull to establish these new technologies as industry standards.

kerVision History

1997

- Complete universal direct conversion receiver on a chip.
- Substantially complete development of CameraManSTUDIO system.
- Introduce the CameraMan SHOT Director.
- Raise additional $21 million in capital.

1998

- Receive third party test verification of wireless technology claims.
- Introduce PVTV at NAB '98.

STOCK MARKET AND DIVIDEND INFORMATION

The Company's common stock is traded under the symbol (PRKR) on the Nasdaq National Market ("Nasdaq"), which is the principal market for the common stock. Listed below is the range of the high and low bid prices of the common stock for the last two fiscal years, as reported by Nasdaq. The amounts represent inter-dealer quotations without adjustment for retail markups, markdowns or commissions and do not necessarily represent the prices of actual transactions.

	High	Low
Fiscal year ending December 31, 1996:		
First quarter	$11.125	$ 6.500
Second quarter	17.500	10.625
Third quarter	13.750	9.125
Fourth quarter	15.375	10.500
Fiscal year ending December 31, 1997:		
First quarter	17.375	11.750
Second quarter	21.250	12.625
Third quarter	32.125	18.500
Fourth quarter	31.500	15.125

To date, the Company has not paid any dividends on its common stock. The payment of dividends, if any, in the future is within the discretion of the board of directors and will depend upon the Company's ability to generate earnings, its capital requirements and financial condition, and other relevant factors. The Company does not intend to declare any dividends in the foreseeable future, but instead intends to retain all earnings, if any, for use in the Company's business.

INDEX TO FINANCIAL INFORMATION

FINANCIAL HIGHLIGHTS

(thousands of dollars, except per share figures)	1997	1996	1995	1994	1993
Net revenues	$ 10,799	$ 9,196	$ 3,903	$ 1,228	$ 1,019
Gross margin	4,684	3,209	1,462	585	524
Research & development expense	3,296	1,483	1,179	703	363
Net loss	(2,934)	(1,674)	(3,80)	(3,682)	(2,443)
Net loss per share	(0.28)	(0.17)	(0.43)	(0.42)	(0.46)
Cash and investments	30,444	12,508	6,372	11,129	15,179
Working capital	24,424	8,214	8,680	12,785	9,022
Total assets	38,685	18,162	10,955	14,342	17,972
Shareholders' equity	37,527	17,277	6,970	10,646	14,328
Common shares outstanding	11,338	10,033	8,801	8,720	8,720

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Company had not generated revenues sufficient to offset its operating expenses from inception in August 1989 to the present. The Company, however, has experienced increases in revenues in 1995, 1996 and 1997 and anticipates further increases in revenues in 1998. These increases are subject to the Company continuing to expand its product lines and attracting additional means of distribution and customers, among other things. The Company intends to continue to use its working capital to build its infrastructure to support future marketing and sales and research and development activities for the studio product line and the wireless technology. No assurance can be given that such expenditures will result in increased sales, new products, or technological advances.

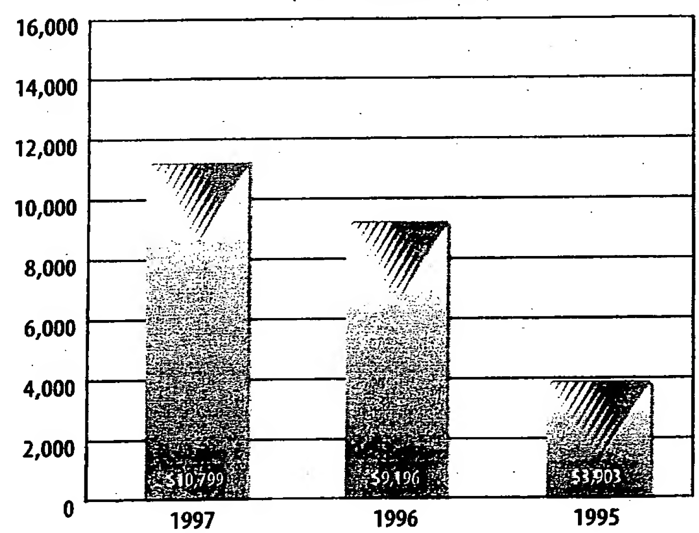
Results of Operations for Each of the Three Years Ended December 31, 1997, 1996 and 1995

Revenues

The Company's revenues to date consist of sales of CameraMan systems and various accessories which complement those systems. Revenues for the years ended December 31, 1997, 1996 and 1995 were $10,799,067, $9,195,811, and $3,902,546, respectively. The increase in revenues is a result of an increase in the number of systems sold, as well as an increase in the average selling price per system.

From 1996 to 1997, the number of systems sold increased from 1,611 systems in 1996 to 1,797 systems in 1997. The increase in units sold is primarily attributable to increased market acceptance of the Company's products as well as the Company's expansion into international markets during 1997. The increase in revenues from 1996 to 1997 is also attributable, in part, to an increase in the average selling price per system from approximately $5,700 in 1996 to approximately $6,000 in 1997. This increase is primarily due to price increases on a majority of the CameraMan products during 1997.

Net Revenues
(in thousands of dollars)



From 1995 to 1996, the number of systems sold increased from 862 systems in 1995 to 1,611 systems in 1996. The increase in units sold is primarily attributable to the Company's relationship with VTEL as well as continued increasing market acceptance of the Company's System II products. Approximately 41% of the systems sold in 1996 represent sales to VTEL, as compared to approximately 12% in 1995. The increase in revenues from 1995 to 1996 is also attributable, in part, to an increase in the average selling price per system from approximately $4,600 in 1995 to approximately $5,700 in 1996. This increase is due primarily to the introduction of the Company's three-chip product line in 1996. The three-chip product, which accounted for approximately 9% of unit sales in 1996, generates approximately $8,500 more revenues per system than the single-chip product.

The Company anticipates a continued increase in revenue in 1998, primarily as a result of the introduction of its CameraManSTUDIO product during the first half of 1998. The studio product has list prices ranging from approximately $150,000 to over $250,000 per system, as compared to CameraMan systems which have a current average selling price of approximately $6,000 per system. The Company also anticipates generating revenue in connection with licensing of its wireless technology during 1998. Any increase in revenue for 1998 will depend upon market acceptance of the new studio products, and successful completion of licensing agreements with third parties related to the wireless technology.

Gross Margin

For the years ended December 31, 1997, 1996 and 1995, gross margins as a percentage of sales were 43%, 35% and 37%, respectively. The increase in margin from 1996 to 1997 is primarily due to price increases on the majority of the Company's product line, as well as a reduction of manufacturing overhead during 1997.

The decrease in margin from 1995 to 1996 is primarily due to the mix of products sold to VTEL. In 1996, the Company implemented a program whereby VTEL could purchase a general pan/tilt base unit at very low margins and then separately purchase various upgrade packages at significantly higher margins, to convert the general pan/tilt unit into an application specific package such as a Presenter or Student Camera System. Approximately 25% of the base units purchased by VTEL in 1996 were general pan/tilt units with no application specific upgrade package. The Company revised its pricing structure with VTEL in 1997 whereby the margin is shared more equally between the base unit and the application-specific packages.

The Company continuously works to improve its gross margin through product pricing, labor efficiencies, reduction of overhead, and product design; however, there can be no assurance that gross margins will improve significantly over, or remain stable with, the gross margins attained in 1997 due to the highly competitive nature of the industry, the introduction of new products, and fluctuations in the cost of component parts.

Marketing and Selling Expenses

Marketing and selling expenses increased by $1,085,378, or 45% from 1996 to 1997 and increased by $390,569, or 20%, from 1995 to 1996. Marketing and selling expenses as a percentage of revenues were 32%, 26%, and 51% for the years ended December 31, 1997, 1996 and 1995, respectively.

The increase in marketing and selling expenses from 1996 to 1997 is, in part, a reflection of a full year of personnel and related costs resulting from additions to the sales and marketing staff during 1996. In addition, the Company increased its expenditures related to trade shows, advertising and other promotional campaigns in order to promote the Company's studio product line and to expand distribution into international markets.

The increase in marketing and selling expenses from 1995 to 1996 was primarily due to the addition of sales and marketing personnel and related costs in order to support expansion into international markets, to provide specific sales support to VTEL and other national accounts, and to expand the internal sales staff in preparation for the release of CameraManSTUDIO. This increase was somewhat offset by a decrease in advertising costs as the Company's level of advertising was higher in 1995 due to the release of System II.

The Company is committed to continuing its investment in marketing and selling efforts in order to continue to increase market awareness and penetration of its products, and anticipates further increases in sales and marketing expenses in 1998 in order to support the Company's wireless technology licensing efforts.

General and Administrative Expenses

The Company's general and administrative expenses increased by $419,136 or 29% from 1996 to 1997 and by $43,321, or 3%, from 1995 to 1996. General and administrative expenses consist primarily of executive and administrative personnel compensation, insurance costs and costs incurred for outside professional services.

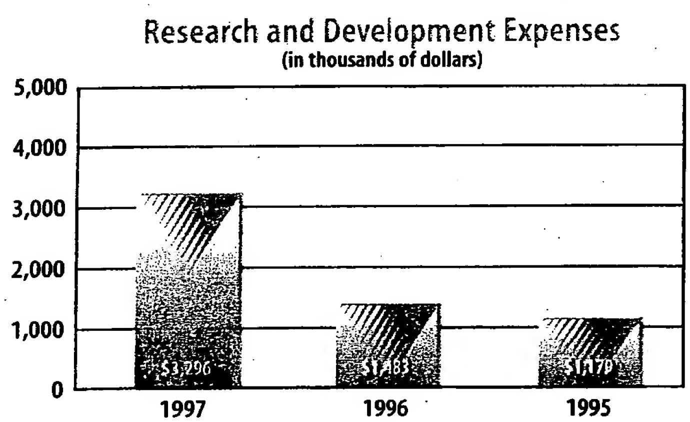
The increase in general and administrative expenses from 1996 to 1997 is the result of increases in personnel costs and outside professional fees during 1997. During 1996, two officers voluntarily reduced their salaries resulting in a decrease in personnel costs. These salaries were adjusted back to their previous levels during 1997. In addition, the Company increased its use of outside professional services, primarily legal services, in connection with its wireless technology.

The increase in general and administrative expenses from 1995 to 1996 is primarily the result of an increase in professional fees due to increased use of outside professional services during 1996, offset somewhat by a decrease in personnel costs. The decrease in personnel costs is largely due to the voluntary reduction of salaries by two officers during 1996.

As a percentage of revenues, general and administrative expenses were 17%, 16%, and 36% in 1997, 1996 and 1995, respectively. Although the Company expects some increases in general and administrative expenses to occur in order to continue to support increased revenues, the Company expects that the growth of such expenses will continue at a slower rate than revenues.

Research and Development Expenses

The Company's research and development expenses increased by $1,812,881, or 122% from 1996 to 1997 and increased by $303,999, or 26% from 1995 to 1996. Research and development expenses as a percentage of revenues were 31%, 16% and 30% in 1997, 1996 and 1995, respectively.



From 1996 to 1997, the increase in research and development expenses was a result of increased personnel and prototype materials for the continued development of the Company's studio product line and its wireless technology.

From 1995 to 1996, the increase in research and development expenses was primarily due to costs incurred by the wireless research team during the latter half of 1995 to explore new wireless technologies, as well as an increase in prototype materials used for the development of the Company's three-chip camera systems and studio prototype during 1996.

Although the percentage of revenue invested by the Company in research and development may vary from period to period, the Company is committed to investing in its research and development programs due to the rapid technological advances in the industry. The Company expects to invest an amount comparable to or in excess of amounts invested in 1997 for research and development activities in 1998.

Nonrecoverable Start-up and Excess Capacity Costs

The Company incurred nonrecoverable start-up and excess capacity costs of $91,350 and $556,675 in 1996 and 1995, respectively. No such costs were incurred in 1997. Non-recoverable start-up and excess capacity costs represent materials, labor and overhead costs incurred by the Company in excess of those directly or indirectly attributable to system sales.

The decrease in nonrecoverable start-up and excess capacity costs from 1995 to 1996 is due to expanded usage of excess capacity as production volumes increased. By the third quarter of 1996, the Company began fully absorbing its excess plant capacity into cost of goods sold. The Company does not anticipate recognizing any excess capacity costs in future periods.

Interest Expense

The Company incurred interest expense of $75,547 and $277,786 in 1996 and 1995, respectively. No interest expense was incurred in 1997. Interest expense represents interest on the subordinated debentures payable to related parties. These subordinated debentures were converted to equity in April 1996.

Interest Income

Interest income increased by $404,970 from 1996 to 1997 and by $215,641 from 1995 to 1996. Interest income primarily represents interest earned on the Company's investment of the proceeds from its initial public offering in 1993 and its subsequent Regulation S and private placement transactions during 1996 and 1997. The increase in interest income from 1996 to 1997 is due to the investment of the proceeds from the Company's Regulation S offering and private placement transactions during September 1997. The increase in interest income from 1995 to 1996 is due to the investment of a substantial portion of the proceeds from the Company's Regulation S offering and private placement transactions during April 1996.

Other Expense, net

Other expense decreased by $10,810 from 1996 to 1997 and by $241,902 from 1995 to 1996. Other expense in 1995 included losses recognized on obsolete inventories due to the discontinuation of the initial CameraMan system product line. No similar losses were incurred in 1996 or 1997. Inventory obsolescence due to product refinement in the normal course of business is continually monitored and is recognized as a charge to cost of sales.

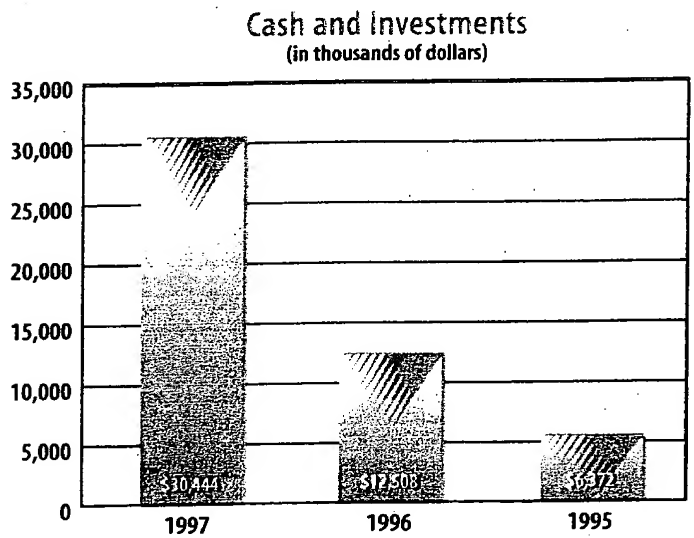
Backlog

As of December 31, 1997, 1996 and 1995, the Company had backlog of approximately $31,000, $260,000 and $170,000, respectively. Backlog consists of orders received from customers which generally have a specified delivery schedule within three to five weeks of receipt. The decrease in backlog from 1996 to 1997 is primarily due to the Company's ability to shorten its delivery schedule to approximately one week during the fourth quarter of 1997.

Liquidity and Capital Resources

At December 31, 1997 and 1996, the Company had working capital of $24,424,291 and $8,213,864, respectively. The $16,210,427 increase in working capital from 1996 to 1997 is primarily due to the increase in short term investments resulting from the investment of the proceeds from the Company's September 1997 Regulation S and private placement transactions. During 1996 and 1997, the Company financed its operations from the proceeds of its initial public offering, and subsequent Regulation S and private placement transactions, and interest earned on maturing investments of such proceeds.

The Company used cash for operating activities of $3,409,705, $1,280,403, and $4,436,612 for the years ended December 31, 1997, 1996 and 1995, respectively. The increase in cash used for operating activities from 1996 to 1997 is primarily attributable to increased operating losses due to substantial investments in research and development activities and increases in inventories due to the purchase of studio inventory components and single-source supply items. The decrease in cash used for operating activities from 1995 to 1996 is primarily attributable to increased sales volume.



The Company used cash in investing activities of $18,786,094 and $6,700,317 for the years ended December 31, 1997 and 1996, respectively and generated cash from investing activities of $1,065,284 for the year ended December 31, 1995. The cash used in investing activities in 1997 and 1996 is primarily due to the investment of the proceeds from the Regulation S offering and private placement transactions during April 1996 and September 1997 and the reinvestment of maturing investments from the Company's initial public offering. The cash generated from investing activities in 1995 is due to the maturity of investments, somewhat offset by capital expenditures.

The Company incurred $1,541,007, $948,183, and $596,133 for capital expenditures in 1997, 1996 and 1995, respectively. These capital expenditures primarily represent the purchase of certain research and development test equipment and the purchase of computer and office equipment to support additional sales, marketing, product development and administrative personnel. In 1997, capital expenditures also included leasehold improvement costs incurred to remodel the Company's offices. The Company was granted rent concessions in 1996 and 1997 to offset the remodeling costs. At December 31, 1997, the Company was not subject to any significant commitments to make additional capital expenditures.

The Company generated cash from financing activities of $22,774,260, $8,243,925 and $113,870 for the years ended December 31, 1997, 1996 and 1995, respectively. The cash generated from financing activities in 1997 and 1996 represents proceeds from the

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of ParkerVision, Inc.:

We have audited the accompanying balance sheets of **PARKERVISION, INC.** (a Florida corporation) as of December 31, 1997 and 1996, and the related statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ParkerVision, Inc. as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Jacksonville, Florida

February 9, 1998

issuance of common stock primarily as a result of Regulation S offerings and private placement transactions. The cash generated from financing activities in 1995 represents proceeds from the issuance of common stock upon exercise of employee stock options.

The Company's principal source of liquidity at December 31, 1997 consisted of $20,949,150 in cash and short-term investments resulting from its initial public offering and subsequent offerings. Until the Company generates sufficient revenues from system and other sales, it will be required to continue to utilize this source of liquidity to cover the continuing expense of product development, marketing and general administration. The Company believes its cash and investment balances will provide sufficient resources to meet its cash requirements for at least the next twelve months. In addition, at December 31, 1997, the Company has $9,494,404 in long-term investments which the Company believes is sufficient to sustain its operations on a longer term basis, if necessary.

Year 2000

The Company has evaluated the potential impact of the situation commonly referred to as the "Year 2000 Issue" ("Year 2K"). The issue concerns the inability of information systems, primarily computer software programs, to properly recognize and process date – sensitive information relating to the year 2000 and beyond. The inability to properly interpret dates beyond the year 1999 could lead to business disruptions.

To ensure that the Company's computer systems are Year 2K compliant, the Company has been reviewing each of its systems and programs during the past year. The Company is also working with its major external vendors and suppliers to assess their compliance efforts and the exposure of the Company to them.

As a result of researching the Company's software programs and the systems of its external vendors and suppliers, the Company has determined that based upon available information, the additional costs associated with the Year 2K issue should not have a material effect on the Company's operating results or financial condition.

Forward-Looking Statements

This Annual Report contains forward-looking information. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that are disclosed in the Company's SEC reports, including the Form 10-KSB for the year ended December 31, 1997. These risks and uncertainties could cause actual results to differ materially from those presently anticipated or projected.

PARKERVISION, INC.
BALANCE SHEETS

DECEMBER 31, 1997 AND 1996

	1997	1996
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,133,193	$ 1,554,732
Short-term investments	18,815,957	3,987,149
Accounts receivable, net of allowance for doubtful accounts of $38,405 and $33,033 at December 31, 1997 and 1996, respectively	660,947	1,143,121
Interest and other receivables	386,634	142,374
Inventories, net	2,970,087	1,957,896
Prepaid expenses and other	610,915	309,988
Total current assets	**25,577,733**	**9,095,260**
LONG-TERM INVESTMENTS	9,494,404	6,965,995
PROPERTY AND EQUIPMENT, net	2,541,123	1,516,685
OTHER ASSETS, net	1,071,772	583,972
Total assets	**$38,685,032**	**$18,161,912**

PARKERVISION, INC.
BALANCE SHEETS

DECEMBER 31, 1997 AND 1996

	1997	1996
CURRENT LIABILITIES:		
Accounts payable	$ 560,106	$ 555,269
Accrued expenses:		
Salaries and wages	313,267	195,864
Warranty reserve	92,674	37,204
Rebates payable	76,261	0
Other accrued expenses	90,161	65,663
Deferred revenue	20,973	27,396
Total current liabilities	**1,153,442**	**881,396**
DEFERRED INCOME TAXES	4,678	3,477
COMMITMENTS AND CONTINGENCIES (Notes 7, 8 and 9)		
SHAREHOLDERS' EQUITY:		
Preferred stock, $1 par value, 1,000,000 shares authorized, none issued or outstanding	0	0
Common stock, $.01 par value, 20,000,000 shares authorized, 11,337,707 and 10,032,604 shares issued and outstanding at December 31, 1997 and 1996, respectively	113,377	100,326
Warrants outstanding	3,795,618	1,152,360
Additional paid-in capital	45,920,419	25,392,608
Accumulated deficit	(12,302,502)	(9,368,255)
Total shareholders' equity	37,526,912	17,277,039
Total liabilities and shareholders' equity	**$38,685,032**	**$18,161,912**

The accompanying notes are an integral part of these balance sheets.

PARKERVISION, INC.
STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
Revenues, net	$10,799,067	$ 9,195,811	$ 3,902,546
Cost of goods sold	6,115,412	5,987,097	2,440,656
Gross margin	4,683,655	3,208,714	1,461,890
Marketing and selling expenses	3,471,674	2,386,296	1,995,727
Research and development expenses	3,295,652	1,482,771	1,178,772
General and administrative expenses	1,869,835	1,450,699	1,407,378
Nonrecoverable start-up and excess capacity costs	0	91,350	556,675
Interest expense to related parties	0	75,547	277,786
Interest income	(1,019,259)	(614,289)	(398,648)
Other expense, net	0	10,810	252,712
Net loss	$(2,934,247)	$(1,674,470)	$(3,808,512)
Basic loss per common share	$(0.28)	$(0.17)	$(0.43)

The accompanying notes are an integral part of these statements.

PARKERVISION, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	Common Stock Shares	Common Stock Par Value	Warrants Outstanding	Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
BALANCE, December 31, 1994	8,720,000	$ 87,200	$ 360	$14,443,689	$ (3,885,273)	$10,645,976
Issuance of common stock upon employee stock option exercise	80,541	805	0	113,065	0	113,870
Unrealized gain on investments available for sale	0	0	0	0	18,750	18,750
Net loss for the year ended December 31, 1995	0	0	0	0	(3,808,512)	(3,808,512)
BALANCE, December 31, 1995	8,800,541	88,005	360	14,556,754	(7,675,035)	6,970,084
Issuance of common stock upon employee stock option exercise	27,638	277	0	46,148	0	46,425
Issuance of common stock on April 12, 1996, net of cash offering costs of $602,500	800,000	8,000	640,000	6,749,500	0	7,397,500
Issuance of common stock for conversion of subordinated debentures payable	324,425	3,244	0	3,241,006	0	3,244,250
Issuance of common stock for cash on April 22, 1996	80,000	800	0	799,200	0	800,000
Issuance of warrants for financial consulting services	0	0	512,000	0	0	512,000
Change in unrealized gain on investments available for sale	0	0	0	0	(18,750)	(18,750)
Net loss for the period ended December 31, 1996	0	0	0	0	(1,674,470)	(1,674,470)
BALANCE, December 31, 1996	10,032,604	100,326	1,152,360	25,392,608	(9,368,255)	17,277,039
Issuance of common stock upon employee stock option exercise	122,607	1,226	0	486,915	0	488,141
Issuance of common stock upon underwriters' warrant exercise	192,496	1,925	(222)	1,266,916	0	1,268,619
Issuance of common stock on September 5, 1997, net of cash offering costs of $1,257,500	990,000	9,900	2,233,620	18,773,980	0	21,017,500
Issuance of warrants for business consulting services	0	0	409,860	0	0	409,860
Net loss for the period ended December 31, 1997	0	0	0	0	(2,934,247)	(2,934,247)
BALANCE, December 31, 1997	11,337,707	$113,377	$3,795,618	$45,920,419	$(12,302,502)	$37,526,912

The accompanying notes are an integral part of these statements.

PARKERVISION, INC.
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995

	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (2,934,247)	$ (1,674,470)	$ (3,808,512)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation and amortization	717,780	609,485	499,605
Amortization of discounts on investments	(112,130)	(139,452)	(142,605)
Provision for obsolete inventories	100,000	330,000	309,311
Loss on disposal of property	0	0	4,877
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable, net	482,174	(691,847)	(310,540)
(Increase) decrease in interest and other receivables	(244,260)	252,515	(221,813)
Increase in inventories	(1,112,191)	(13,132)	(907,148)
Increase in prepaid expenses	(217,746)	(73,071)	(24,012)
Increase in other assets	(361,131)	(27,852)	(122,691)
Increase in accounts payable and accrued expenses	278,469	207,979	198,962
(Decrease) increase in deferred revenue	(6,423)	(60,558)	87,954
Total adjustments	(475,458)	394,067	(628,100)
Net cash used for operating activities	(3,409,705)	(1,280,403)	(4,436,612)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments classified as available for sale	(10,009,375)	0	0
Purchase of investments classified as held to maturity	(12,735,712)	(11,890,092)	(8,811,583)
Proceeds from maturity of investments	5,500,000	6,137,958	10,473,000
Purchase of property and equipment	(1,541,007)	(948,183)	(596,133)
Net cash (used for) provided by investing activities	(18,786,094)	(6,700,317)	1,065,284
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	22,774,260	8,243,925	113,870
Net cash provided by financing activities	22,774,260	8,243,925	113,870
NET CHANGE IN CASH AND CASH EQUIVALENTS	578,461	263,205	(3,257,458)
CASH AND CASH EQUIVALENTS, beginning of year	1,554,732	1,291,527	4,548,985
CASH AND CASH EQUIVALENTS, end of year	$ 2,133,193	$ 1,554,732	$ 1,291,527

The accompanying notes are an integral part of these statements.

1. THE COMPANY AND NATURE OF BUSINESS:

ParkerVision, Inc. (the "Company") is engaged in the design, manufacture and marketing of automated video equipment and the development and marketing of wireless radio frequency ("RF") technologies. The Company was incorporated under the laws of the state of Florida on August 22, 1989.

The Company sells its video products through audiovisual dealers and other equipment manufacturers throughout the United States, as well as in Canada, Latin America and Asia. Approximately 95% of the Company's sales are generated through dealers and other equipment manufacturers in the United States. The Company is in a highly-competitive industry with rapidly changing and evolving technologies and an increasing number of market entrants who have introduced or are developing an array of new audiovisual and telecommunications products and services. The Company's potential competitors in this industry have substantially greater financial, technical and other resources than those of the Company.

The Company has made significant investments in developing the technology and manufacturing capability for its products, the return on which are dependent upon the generation of future revenues for realization. The Company has not yet generated sufficient revenues to offset its expenses, and thus has utilized proceeds from its initial public offering and subsequent offerings to fund its operations. In the opinion of management, the Company has adequate funds to meet its liquidity needs for 1998, as well as on a longer term basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include overnight repurchase agreements and U.S. Treasury money market investments totaling approximately $1,845,000 and $1,321,000 at December 31, 1997 and December 31, 1996, respectively.

Investments

Investments consist of funds invested in U.S. Treasury notes, U.S. Treasury bills and Federal Mortgage Backed Securities. At December 31, 1997, short-term investments included investments classified as available-for-sale reported at their fair value of

$10,008,203 and investments classified as held-to-maturity reported at their amortized cost of $8,807,754. The investments classified as available-for-sale range in maturity from one to two years. Short-term investments classified as held-to-maturity range in maturity from one to nine months. At December 31, 1997, long-term investments consist of investments classified as held-to-maturity and are reported at their amortized cost of $9,494,404 and range in maturity from two to three years. At December 31, 1996, all of the Company's investments were classified as held-to-maturity. For the years ended December 31, 1997 and 1996, no unrealized gains or losses were recognized.

Inventories

Inventories are stated at the lower of average cost (which approximates the first-in, first-out method) or market (net realizable value). Purchased materials inventory consists principally of components and subassemblies. The Company's substantial investment in inventory is due to anticipated future demand for its product and the buildup of safety stock on single-source or long lead-time components. Management believes the Company will realize its investment in inventory through future product sales and that the Company's purchased materials net inventories could, if necessary, be resold "as is" without incurring substantial loss.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. The cost and accumulated depreciation of assets sold or retired are removed from their respective accounts, and any resulting gain or loss is recognized in the accompanying statements of operations. Depreciation is determined using the straight-line method using the following estimated useful lives:

Leasehold improvements	Lesser of five years or remaining term of the lease
Tools and dies	Five to seven years
Manufacturing and office equipment	Three to seven years
Furniture and fixtures	Seven years

Other assets

Included in other assets are patent costs, prepaid licensing fees and prepaid consulting fees. Patent costs represent costs incurred to obtain patents for product concepts and methodologies developed by the Company. The Company has submitted additional patent applications which are currently pending. Capitalized patent costs are being amortized over the estimated life of the related patents. Prepaid licensing fees represent costs incurred to obtain licenses for use of certain technologies in future products. Prepaid licensing fees are being amortized over the estimated term of the licensing agreements. Prepaid consulting fees represent the estimated fair market value of warrants issued as consideration for such consulting services (see Note 10). These fees are being amortized over the term of the consulting agreements.

Nonrecoverable start-up and excess capacity costs

Nonrecoverable start-up and excess capacity costs include materials, labor and overhead costs incurred by the Company in excess of those directly or indirectly attributable to system sales. Such costs are primarily composed of the cost of excess facilities, and are expensed as incurred.

Warranty costs

The Company generally warrants its products against defects in workmanship and material for one year from the date of shipment. Estimated costs related to warranty are accrued at the time of revenue recognition. To date, the Company has not incurred any significant warranty costs.

Loss per share

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share." SFAS No. 128 replaces the presentation of primary and fully-diluted earnings per share with a presentation of basic and diluted earnings per share. The Company adopted SFAS No. 128 as of the year ended December 31, 1997. As the affect of common stock equivalents was anti-dilutive in prior periods, no restatement of prior period loss per share is required in order to conform with the provisions of this statement.

Basic loss per share is determined based on the weighted-average number of common shares assumed to be outstanding during each year. Diluted loss per share is the same as basic loss per share as all common share equivalents are excluded from the calculation as their effect is anti-dilutive. The weighted-average number of common shares assumed to be outstanding for the years ended December 31, 1997, 1996 and 1995, is 10,490,480, 9,681,182 and 8,757,802, respectively.

Statements of Cash Flows

The Company paid interest of $0, $83,658, and $269,676 during 1997, 1996 and 1995, respectively. The Company issued 50,000 options in 1997 for professional services to be provided over a five year period, valued at approximately $410,000. The Company issued 324,425 shares of common stock in 1996 for conversion of subordinated debentures totaling $3,244,250. The Company also issued 200,000 warrants in 1996 for professional services to be provided over a five year period valued at $512,000.

3. INCOME TAXES AND TAX STATUS:

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." A reconciliation between the provision for income taxes and the expected tax benefit using the federal statutory rate of 34% for the years ended December 31, 1997, 1996, and 1995 is as follows:

	1997	1996	1995
Tax benefit at statutory rate	$ (997,644)	$ (569,320)	$(1,294,894)
State tax benefit	(146,712)	(83,724)	(190,426)
Increase in valuation allowance	1,295,305	613,711	1,583,926
Increase in research and development credit	(223,974)	0	0
Other	73,025	39,333	(98,606)
	$ 0	$ 0	$ 0

The Company's deferred tax assets and liabilities relate to the following sources and differences between financial accounting and the tax bases of the Company's assets and liabilities at December 31, 1997 and 1996:

	1997	1996
Current deferred taxes:		
Current deferred tax assets:		
Inventory obsolescence reserve	$ 173,077	$ 170,095
Warranty reserve	38,460	15,440
Vacation accrual	22,825	0
Allowance for doubtful accounts	15,938	13,709
Deferred revenue	8,704	11,369
Related-party payables and accruals	2,793	4,845
Inventory capitalization	0	4,231
	261,797	219,689
Less valuation allowance	(257,119)	(216,212)
Total current deferred tax assets	$ 4,678	$ 3,477
Noncurrent deferred taxes:		
Noncurrent deferred tax assets:		
Net operating loss carryforward	$ 4,842,441	$ 3,856,108
Research and development credit carryforward	223,974	0
Patent amortization and other	112,983	16,783
	5,179,398	3,872,891
Less valuation allowance	(5,065,999)	(3,811,601)
Total noncurrent deferred tax assets	113,399	61,290
Noncurrent deferred tax liabilities:		
Depreciation	(118,077)	(64,767)
Net noncurrent deferred income tax liability	$ (4,678)	$ (3,477)

The Company has recorded a valuation allowance to state its deferred tax assets at estimated net realizable value due to the uncertainty related to realization of these assets through future taxable income. The valuation allowance for deferred tax assets as of December 31, 1997 and 1996 was $5,323,118 and $4,027,813, respectively.

At December 31, 1997, the Company had net operating loss and research and development carryforwards for income tax purposes of approximately $11,700,000 and $540,000, respectively which expire from 2008 to 2012. The Company's ability to benefit from the net operating loss and research and development carryforwards could be limited under certain provisions of the Internal Revenue Code if ownership of the Company changes by more than 50%, as defined.

4. INVENTORIES:

Inventories consist of the following at December 31, 1997 and 1996:

	1997	1996
Purchased materials	$ 1,948,581	$ 1,353,499
Work in process	378,859	329,983
Finished goods	1,059,699	684,282
	3,387,139	2,367,764
Less allowance for inventory obsolescence	(417,052)	(409,868)
	$ 2,970,087	$ 1,957,896

5. PROPERTY AND EQUIPMENT, NET:

Property and equipment, at cost, consist of the following at December 31, 1997 and 1996:

	1997	1996
Manufacturing and office equipment	$ 3,737,218	$ 2,582,790
Tools and dies	792,688	789,865
Leasehold improvements	366,581	101,303
Furniture and fixtures	134,877	28,079
	5,031,364	3,502,037
Less accumulated depreciation	(2,490,241)	(1,985,352)
	$ 2,541,123	$ 1,516,685

Depreciation expense related to property and equipment was $516,569, $524,762, and $477,907, in 1997, 1996, and 1995, respectively.

6. OTHER ASSETS:

Other assets consist of the following at December 31, 1997 and 1996:

	1997	1996
Prepaid consulting fees	$ 737,480	$ 409,600
Prepaid licensing fees	325,000	75,000
Patents and copyrights	325,164	214,033
Other assets	4,450	4,450
	1,392,094	703,083
Less accumulated amortization	(320,322)	(119,111)
	$ 1,071,772	$ 583,972

Amortization of patents and copyrights was $47,591, $42,058, and $21,698, in 1997, 1996 and 1995, respectively. Amortization of prepaid consulting fees was $153,620, $42,659, and $0 in 1997, 1996 and 1995, respectively.

7. RELATED-PARTY TRANSACTIONS:

Subordinated debentures

On April 12, 1996, certain related parties converted subordinated debentures into 324,425 shares of common stock of the Company (See Note 11).

Building Lease

During March 1992, the Company entered into an operating lease arrangement with certain officers and shareholders of the Company for the office and manufacturing facility the Company currently occupies. The lease's current terms obligate the Company through February 28, 2002 at a base monthly lease payment of $24,288.

Future minimum payments as of December 31, 1997 are as follows:

1998	$291,456
1999	291,456
2000	291,456
2001	291,456
Thereafter	48,576

Rent expense related to the above lease was $174,465, $106,500, and $215,551, for the years ended December 31, 1997, 1996 and 1995, respectively.

8. SIGNIFICANT CUSTOMERS AND CONCENTRATION OF CREDIT RISK:

In 1997, Vtel Corporation ("VTEL") accounted for approximately 35% of total revenues. In 1996, VTEL and one other reseller accounted for approximately 35% and 11% of total revenues, respectively. In 1995, VTEL and one other reseller accounted for approximately 12% and 10% of total revenues, respectively.

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade receivables. VTEL and two other resellers accounted for approximately 54% of accounts receivable at December 31, 1997. The Company closely monitors extensions of credit and has never experienced significant credit losses.

9. COMMITMENTS AND CONTINGENCIES:

At December 31, 1997, the Company has commitments to purchase materials aggregating approximately $500,000 through 1998 from two suppliers. One of these suppliers is a single-source supplier of the Company's camera modules and accounted for approximately 40%, 21% and 23% of the Company's component purchases for the years ended December 31, 1997, 1996 and 1995, respectively. The Company maintains a six to twelve month inventory of this component as an alternative source of supply would require modifications to the existing system. No other supplier accounted for more than 15% of the Company's component purchases in 1997, 1996, or 1995.

10. STOCK OPTIONS, WARRANTS AND STOCK-BASED COMPENSATION PLANS:

Nonplan Options

On February 1, 1993, the Company issued nonqualified options to purchase 189,746 shares of its common stock for $1.355 per share to certain key employees and a former director. These options were granted at an exercise price equal to the fair market value of the common stock at the date of grant, are immediately exercisable, and expire five years from the date of grant. On October 11, 1993, the Company issued nonqualified options to purchase 50,000 shares of its common stock for $5 per share to an officer. These options are immediately exercisable and expire ten years from the date of grant. Pursuant to an employment agreement, the Company issued nonqualified stock options to purchase an aggregate of 250,000 shares of its common stock for $15.125 per share to an employee of the Company, vesting ten years from the date of grant. These options were forfeited in 1997.

The following table summarizes activity related to these options for each of the three years ended December 31, 1997:

	Option Shares	Wtd-Avg. Exercise Price
Outstanding at December 31, 1994	233,972	$ 2.13
Exercised	(78,041)	1.36
Forfeited	(443)	1.36

	Option Shares	Wtd. Avg. Exercise Price
Outstanding at December 31, 1995	155,488	2.52
Exercised	(22,638)	1.36
Forfeited	(43)	1.36
Outstanding at December 31, 1996	132,807	2.72
Issued	250,000	15.13
Exercised	(82,807)	1.36
Forfeited	(250,000)	15.13
Outstanding and exercisable at December 31, 1997	50,000	$ 5.00

1993 Stock Plan

The Company adopted a stock plan in September 1993 (the "1993 Plan"). The 1993 Plan, as amended, provides for the grant of options and other Company stock awards, not to exceed 2,000,000 shares of common stock. The plan provides for benefits in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted share awards, bargain purchases of common stock, bonuses of common stock and various stock benefits or cash. Under terms of the plan, incentive stock options may not be granted at less than the fair market value of the common stock on the date of grant and expire no later than ten years after the date of grant.

Options granted to employees under the 1993 Plan generally vest over zero to ten years and are exercisable for a period of five years from the date the options become vested. Options granted to directors under the 1993 Plan are generally exercisable immediately and expire ten years from the date of grant. Options to purchase 765,500 shares of common stock were available for future grants under the 1993 Plan at December 31, 1997.

The following table summarizes activity under the 1993 Plan for each of the years ended December 31:

	1997		1996		1995	
	Shares	Wtd. Avg. Ex. Price	Shares	Wtd. Avg. Ex. Price	Shares	Wtd. Avg. Ex. Price
Outstanding at beginning of year	297,275	$ 9.96	168,500	$ 7.07	27,500	$ 4.52
Granted	941,000	14.41	134,275	13.33	143,500	7.50
Exercised	(39,800)	9.45	(5,000)	3.25	(2,500)	3.25
Forfeited	(11,275)	14.40	(500)	10.50	0	
Outstanding at end of year	1,187,200	13.46	297,275	9.96	168,500	7.07
Exercisable at end of year	398,800	11.24	256,875	10.05	140,500	7.16
Weighted average fair value of options granted		$ 9.02		$ 5.94		$ 3.25

The Company's 1993 Stock Plan is accounted for under APB Opinion No.25, under which no compensation cost has been recognized. Had compensation cost for this plan been determined consistent with SFAS No.123, the Company's net loss and net loss per share would have been increased to the following pro forma amounts:

		1997	1996	1995
Net Loss:	As Reported	$(2,934,247)	$(1,674,470)	$(3,808,512)
	Pro Forma	(4,557,861)	(2,412,705)	(4,193,457)
Basic Net Loss Per Share:	As Reported	$(0.28)	$(0.17)	$(0.43)
	Pro Forma	(0.45)	(0.25)	(0.48)

Of the options outstanding at December 31, 1997, options for 434,200 shares have exercise prices ranging between $5.00 and $11.875, with a weighted average exercise price of $10.28 per share and a weighted average remaining contractual life of approximately 9 years. Options representing 255,300 shares with exercise prices between $5.00 and $11.875 are currently exercisable and have a weighted average exercise price of $9.50 per share. The remaining 753,000 options outstanding at December 31, 1997 have exercise prices ranging from $13.875 to $21.50, with a weighted average exercise price of $15.30 per share and a weighted average remaining contractual life of approximately 13 years. Options representing 143,500 shares with exercise prices between $13.875 and $21.50 are currently exercisable and have a weighted average exercise price of $14.32 per share.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1997, 1996 and 1995, respectively: risk free interest rates of 5.75% to 6.85% in 1997, 6.04% to 6.78% in 1996, and 5.38% to 5.52% in 1995; no expected dividend yields; expected lives from two to eleven years in 1997 and five years in 1996 and 1995; and expected volatility of 55% in 1997 and 40% in 1996 and 1995.

In May 1997, the company retained outside counsel to serve as a consultant and advisor for a period of five years. As compensation for these services, the Company issued a nonqualified option, under the 1993 Plan, to purchase 50,000 shares of common stock at an exercise price of $15.125 per share. The option vests ratably over a five year period and expires five years from the date the option becomes vested. The estimated fair value of this option is approximately $8.20 per share or $410,000, which is included in other assets and is being amortized to expense over the term of the consulting agreement. The fair value of this option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 6.63%, no expected dividend yield, expected life of 7 years and expected volatility of 40%.

In connection with its Regulation S offering (see Note 11), on September 5, 1997, the Company granted warrants to an outside financial consultant to purchase an aggregate of 180,000 shares of common stock of the Company at an exercise price of $22.50 per

share. The warrants are exercisable for a period of five years from the date of consummation of the offering. The warrants have an estimated fair market value of $12.41 per share, or $2,233,800 which is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 6.08%, no expected dividend yield, an expected life of three years, and expected volatility of 64%.

In connection with its Regulation S offering (see Note 11), on April 12, 1996, the Company granted warrants to outside financial consultants to purchase an aggregate of 250,000 shares of common stock of the Company at an exercise price of $10.00 per share. The warrants are exercisable for a period of five years from the date of consummation of the offering. The warrants have an estimated fair market value of $2.56 per share, or $640,000 which is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 6.34%, no expected dividend yield, an expected life of two years, and expected volatility of 40%.

In July 1996, the Company retained Whale Securities Co., L.P. ("Whale") to serve as a financial consultant and advisor for a period of five years. As compensation for these services, the Company issued warrants to Whale and its designee for the purchase of 200,000 shares of the Company's common stock at an exercise price of $10.00 per share. The warrants are exercisable for a period of five years from the date of issuance and their estimated fair value of $2.56 per share or $512,000 is included in other assets and is being amortized to expense over the term of the consulting agreement. The fair value of the warrants is estimated on the date of issuance using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 6.34%, no expected dividend yield, expected life of two years and expected volatility of 40%.

11. STOCK AUTHORIZATION AND ISSUANCE:

Preferred Stock

The Certificate of Incorporation of the Company authorizes the Board of Directors to issue up to 1,000,000 shares of preferred stock, $1.00 par value. No preferred shares have been issued or are outstanding.

Common Stock

On September 5, 1997, the Company completed an offering of 900,000 shares of its common stock to overseas investors in a transaction pursuant to Regulation S of the Securities Act of 1933, as amended (the "1997 Offering"). The shares, which constituted approximately 8% of the Company's outstanding common stock on an after-issued basis, were sold at a price of $22.50 per share. After deducting issuance and offering costs of $1,257,500, the Company received net proceeds therefrom of $18,992,500.

The Company engaged an outside financial consultant in connection with the 1997 Offering, and as compensation for his services, on September 5, 1997, the Company granted the consultant a warrant to purchase an aggregate of 180,000 shares of common stock of the Company (see Note 10).

Also on September 5, 1997, the Company completed an offering of an aggregate of 90,000 shares of its common stock to three investors in a private placement transaction pursuant to Section 4(2) of the Securities Act of 1933, as amended. These shares, which constituted approximately 0.8% of the Company's outstanding common stock on an after-issued basis, were sold at a price of $22.50 per share and the Company received net proceeds therefrom of $2,025,000.

On April 12, 1996, the Company completed an offering of 800,000 shares of its common stock to overseas investors in a transaction pursuant to Regulation S of the Securities Act of 1933, as amended (the "1996 Offering"). The shares, which constituted approximately 8.3% of the Company's outstanding common stock on an after-issued basis, were sold at a price of $10.00 per share. After deducting issuance and offering costs of $602,500, the Company received net proceeds therefrom of $7,397,500.

The Company engaged outside financial consultants in connection with the 1996 Offering, and as compensation for their services, on April 12, 1996, the Company granted the consultants warrants to purchase an aggregate of 250,000 shares of common stock of the Company (see Note 10).

Also in connection with the 1996 Offering, certain related parties agreed to convert subordinated debentures of the Company at a value of $10.00 per share for an aggregate of 324,425 shares of common stock (see Note 7).

On April 22, 1996, the Company completed an offering of an aggregate of 80,000 shares of its common stock to two investors in a private placement transaction pursuant to Section 4(2) of the Securities Act of 1933, as amended. These shares, which constituted approximately 0.8% of the Company's outstanding common stock on an after-issued basis, were sold at a price of $10.00 per share and the Company received net proceeds therefrom of $800,000.

On July 16, 1996, the Company engaged a financial consultant for a period of five years, and as compensation for services, the Company granted the financial consultant warrants to purchase an aggregate of 200,000 shares of common stock of the Company (see Note 10).

12. QUARTERLY RESULTS OF OPERATIONS (Unaudited):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 1997:				
Revenues, net	$ 2,079,957	$ 4,007,472	$ 2,887,216	$ 1,824,422
Gross margin	920,821	1,834,498	1,288,914	639,422
Operating expenses	1,838,804	2,270,368	2,084,482	2,443,507
Interest expense	0	0	0	0
Interest income	174,902	168,138	233,047	443,172
Net loss	(743,081)	(267,732)	(562,521)	(1,360,913)
Loss per share	(0.07)	(0.03)	(0.05)	(0.12)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended December 31, 1996:				
Revenues, net	$ 1,531,875	$ 3,230,387	$ 2,416,798	$ 2,016,751
Gross margin	513,074	1,159,609	927,071	608,960
Operating expenses	1,164,903	1,352,284	1,264,733	1,629,196
Interest expense	66,913	8,634	0	0
Interest income	82,066	160,374	185,554	186,295
Net loss	(637,486)	(40,935)	(152,108)	(843,941)
Loss per share	(0.07)	(0.00)	(0.02)	(0.08)
Year ended December 31, 1995:				
Revenues, net	$ 313,774	$ 996,725	$ 1,602,856	$ 989,191
Gross margin	97,808	375,834	648,784	339,464
Operating expenses	1,292,740	1,268,565	1,229,648	1,347,135
Interest expense	89,217	89,217	89,217	10,135
Interest income	103,285	99,912	88,036	107,415
Net loss	(1,122,251)	(913,041)	(660,286)	(1,112,934)
Loss per share	(0.13)	(0.10)	(0.08)	(0.12)

Corporate Information

Officers and Directors

Jeffrey Parker
Chairman of the Board,
President and Chief Executive Officer

Stacie Parker Wilf
Secretary, Treasurer and Director

David F. Sorrells
Chief Technical Officer and Director

Cynthia Poehlman
Controller and Chief Accounting Officer

Todd Parker
Director

William L. Sammons
Director

Arthur G. Yeager
Director
Patent Attorney

Independent Auditors
Arthur Andersen LLP
Jacksonville, Florida

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Transfer Agent and Registrar
American Stock Transfer & Trust
40 Wall Street
New York, New York 10005

Additional Information
A copy of the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission may be obtained upon written request to:

Investor Relations
8493 Baymeadows Way
Jacksonville, FL 32256

The Annual Meeting of stockholders will be held on June 12, 1998 at the Adams Mark Hotel, Dallas, Texas.